

Message Text

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PAGE 01 LONDON 00633 01 OF 02 131918Z
ACTION EB-04

INFO OCT-01 ISO-00 SS-04 EUR-03 CEA-01 NSC-04 NSCE-00
INR-05 FRB-03 CIAE-00 /025 W
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R 131836Z JAN 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 9461
TREASURY DEPT WASHDC
INFO AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 00633

LIMDIS GREENBACK

DEPARTMENT PASS FEDERAL RESERVE BOARD

E.O. 11652: XGDS-1
TAGS: EFIN, UK
SUBJECT: CONVERSATIONS BETWEEN CHANCELLOR HEALEY AND
PRIME MINISTER BARRE

SUMMARY: H.M. TREASURY SOURCE REPORTS THAT HEALEY AND
BARRE HAD A USEFUL, FRANK AND FULL EXCHANGE ON MONETARY
AND ECONOMIC TOPICS BUT THAT NO OPERATIONAL
DECISIONS WERE TAKEN. END SUMMARY.

1. H.M. TREASURY SOURCE BRIEFED FINANCIAL ATTACHE ON TUES
DAY JANUARY 11 CONVERSATION BETWEEN FRENCH PRIME MINISTER
BARRE AND CHANCELLOR HEALEY. IT WAS SHORTER THAN EXPECTED.
BARRE SAW PRIME MINISTER CALLAGHAN AT 4:30. THAT DISCUS-
SION WENT LONGER THAN EXPECTED. IT TOUCHED ON THE BASLE
FACILITY IN A GENERAL WAY BUT WITHOUT DISCUSSION OF SUB-
STANCE.

2. BARRE THEREFORE ARRIVED LATE AT THE CHANCELLOR'S RESI-
DENCE AND THE DISCUSSION LASTED ONLY 45 MINUTES, WITH
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PAGE 02 LONDON 00633 01 OF 02 131918Z

BARRE AND HEALEY CARRYING ON THE CONVERSATION BOTH IN
ENGLISH AND FRENCH.

3. THERE WAS A BRIEF EXCHANGE ON THE BASLE FACILITY.
BARRE ALLUDED IN PASSING TO THE RIPPON 1972 COMMITMENT TO
EC TO REDUCE STERLING BALANCES, BUT WAS NOT VINDICTIVE.
HE WELCOMED THIS WEEK'S AGREEMENT. CHANCELLOR HEALEY

PRAISED JACQUES DE LA ROSIERE'S ROLE IN THE G-10.

4. THERE WAS AN EXCHANGE OF VIEWS WITH RESPECT TO RELATIVE PROBLEMS IN THE UK AND FRANCE ON PRICES AND INCOMES POLICIES AND PROBLEMS WITH THE UNIONS. CONVERSATION YIELDED NOTHING NEW, NOT ALREADY KNOWN FROM DISCUSSIONS IN OECD. BARRE SPOKE MORE AS AN ECONOMIST THAN AS A PRIME

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PAGE 01 LONDON 00633 02 OF 02 131941Z

ACTION EB-04

INFO OCT-01 ISO-00 SS-04 EUR-03 CEA-01 NSC-04 NSCE-00

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 00633

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MINISTER. THERE WAS CONSIDERABLE WRINGING OF HANDS ABOUT MUTUAL PROBLEMS AND DIFFICULTIES RELATED THERETO.

5. THERE WAS A DISCUSSION OF EXCHANGE RATE POLICY. BARRE STRESSED THE IMPORTANCE HE ATTACHES BOTH TO THE STABILITY OF EXCHANGE RATES AND FOREIGN EXCHANGE MARKETS. THE CHANCELLOR AGREED WARMLY.

6. THERE WAS A BRIEF EXCHANGE ON THE RELATIVE IMPORTANCE OF PRICE COMPETITIVENESS OF EXPORTS VS NON-PRICE FACTORS.

7. THE CHANCELLOR ASKED FOR BARRE'S VIEWS ON INTERNATIONAL LIQUIDITY, NOT SO MUCH IN TERMS OF QUANTITY BUT RATHER IN TERMS OF DISTRIBUTION OF DEFICITS. BARRE HAD NOT APPARENTLY THOUGHT DEEPLY ABOUT THE QUESTION, GAVE A "VISCERAL REACTION" STATING THAT "WE MUST AVOID ANY INCREASE IN UNCONDITIONAL LIQUIDITY." HIS RESPONSE WAS APPARENTLY KEYED TO FORTHCOMING DISCUSSIONS IN

THE IMF.

8. DURING A DISCUSSION OF WORLD ECONOMIC PROSPECTS, BOTH
BARRE AND HEALEY SPECULATED ABOUT PRESIDENT-ELECT CARTER'S
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PAGE 02 LONDON 00633 02 OF 02 131941Z

STIMULATORY PACKAGE IN THE US AND MACRO-POLICIES THAT
WOULD BE FOLLOWED TO IMPLEMENT IT. BARRE CONCLUDED THAT
ONLY MODERATE STIMULUS IS IMPLIED IN THE CARTER PROPOSALS.
HE FELT STEADY SUSTAINABLE GROWTH IN THE US IS MOST IMPOR-
TANT. BOTH BARRE AND HEALEY WONDERED JUST HOW MUCH GROWTH
THERE WOULD BE IN GERMANY. THEY BOTH REFERRED TO
UNEMPLOYMENT IN THEIR OWN COUNTRIES, ESPECIALLY IN THE
SHIPBUILDING AND CONSTRUCTION INDUSTRIES.

9. SOURCE SAID THAT THEIR MEETING WAS "USEFUL, FRANK,
FULL EXCHANGE," BUT IT DID NOT LEAD TO ANY OPERATIONAL DE-
CISIONS. NONE WERE EXPECTED GIVEN THE NATURE OF THE VISIT.
BARRE TOOK OVER A COMMITMENT TO SPEAK TO FRENCH CHAMBER
OF COMMERCE MADE BY HIS PREDECESSOR. HE TOOK ADVANTAGE
OF HIS PRESENCE IN LONDON TO CALL ON CALLAGHAN AND HEALEY.

10. PLEASE TREAT AS NOFORN.

ARMSTRONG

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Message Attributes

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